



ROBERT BROOKS

STATE REPRESENTATIVE • 60TH ASSEMBLY DISTRICT

Hearing Testimony

Assembly Committee on Housing and Real Estate

February 6, 2020

Chairman Jagler and members of the Assembly Committee on Housing and Real Estate, thank you for affording me with the opportunity to testify on behalf of Assembly Bill 859, relating to: affordable housing.

Wisconsin is facing a statewide workforce housing shortage. Quality and affordable housing are paramount factors in determining where individuals choose to live, work, and raise a family.

Currently, there are not enough new affordable homes being constructed to keep up with the demand for Wisconsin's growing workforce. Furthermore, our existing housing stock is aging, and construction prices and housing costs are rising faster than inflation and income growth.

Assembly Bill 859 will help improve Wisconsin's housing stock and provide communities and employers with a meaningful talent development tool. The bill meets this goal by incentivizing local communities to develop additional workforce housing—**without costing the state any money**.

Three factors have contributed to Wisconsin's workforce housing shortage:

- The industry has not built enough homes to keep pace with population and income growth.
- Construction costs are rising faster than inflation and incomes. In the past seven years, for example, construction costs have risen substantially faster than inflation, and construction companies report severe labor shortages.
- Outdated land-use regulations drive up the cost of housing.

This bill addresses each of the root causes of Wisconsin's affordable housing crisis, while simultaneously increasing the development of new workforce housing.

There is a direct correlation between housing and job creation. A 2018 National Association of Homebuilders' study found that the one-year impact of building 1,000 single-family homes is astounding. The building of these homes would produce nearly



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\$300 million in income for Wisconsin residents, generate \$56.3 million in new tax revenue for local units of government, and create more than 5,000 career-sustaining jobs.

Meeting Wisconsin's workforce housing challenge, expanding housing options for seniors and young workers, and reinvesting in our communities require leadership and effort at all levels. This legislation is an excellent first step towards achieving those goals.

Assembly Bill 859 closely aligns with the five goals for affordable housing outlined by the Wisconsin Realtors Association in their 2018 study of workforce housing, *Falling Behind: Addressing Wisconsin's Workforce Housing Shortage to Strengthen Families, Communities, and our Economy*:

- Build more housing
- Increase housing choices with a more affordable housing stock
- Rebuild and strengthen homeownership
- Reinvest in older housing stock and neighborhoods
- Make housing a priority.

Assembly Bill 859 is a much-needed, common-sense piece of legislation that increases Wisconsin's workforce housing stock, creates jobs, grows the economy, and makes it easier for individuals to achieve the American dream of owning their own home.

This legislation was drafted with input from and is supported by the League of Wisconsin Municipalities; Wisconsin Realtors Association; Wisconsin Builders Association; and the Wisconsin Economic Development Association.

I am happy to answer any questions you might have regarding Assembly Bill 859.



DAN FEYEN

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To: The Assembly Committee on Housing & Real Estate
From: Sen. Dan Feyen
Re: Assembly Bill 859

Mr. Chair, members of the committee, thank you for holding this hearing today.

Workforce housing has been built at a relatively slow pace in recent years thanks to the rising cost of land and building materials and a patchwork of local rules that has slowed development in some places. The resulting short supply of affordable housing has helped drive rent prices up faster than incomes in some parts of the state. This challenge, accompanies with Wisconsin's workforce shortage, has led to a very challenging economic hurdle for many businesses and communities across our state.

While we've seen some location-specific, innovative partnerships to overcome these hurdles, we need a larger, statewide solution to creating a readily available stock of workforce housing. I believe this bill begins to craft a solution.

Initiatives in the bill to increase Wisconsin's workforce housing stock include:

- 1) Creating a statutory definition of workforce housing as housing that costs no more than 30% of a household's gross median income AND housing made up of residential units for initial occupancy by an individual whose household median income is no more than 120% of the county's gross median income, as defined by the US Census Bureau
- 2) Making a variety of changes regarding the use of tax incremental districts including:
 - a. Raising the current 35% cap on residential areas platted within a TID to 60% if the additional portion of residential area is used solely for workforce housing
 - b. Allowing a municipality to extend the life of a TID for up to 3 years in order to increase the amount of workforce housing within the TID
 - c. Requiring a TID plan to include projections of its finances and feasibility during an economic slowdown
- 3) Encouraging municipalities to adopt policies that are friendly to building workforce housing including:



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- a. Allowing them to exempt workforce housing construction from impact fees
- b. Adopting policies such as reducing permitting times, impact fees, increasing zoning density, rehabilitating existing housing into workforce housing, or any other local initiatives to improve workforce housing
- c. Tying the implementation of workforce-friendly housing policies to priority for WEDC, WHEDA, & DOA housing grant applications

This bill encompasses the viewpoints of most individuals involved in creating workforce housing projects, including builders, realtors, economic development officials and municipal officials. It attempts to strike a compromise among the interests of all involved parties in order to effect actual change statewide. I hope we can garner your support for this legislation today as well!

Thank you for your time. I welcome any questions you may have.



Department of Administration
Intergovernmental Relations Division

Tom Barrett
Mayor

Sharon Robinson
Director of Administration

Kimberly Montgomery
Director of Intergovernmental Relations

Good morning Chairman Jagler and members of the Assembly Committee on Housing and Real Estate. My name is Jim Bohl and I work for the Intergovernmental Relations Division of the City of Milwaukee. I appreciate being able to testify today in support of AB 859.

The City supports this bill and is appreciative of Rep. Brooks for his authorship and willingness to work with us to modify it.

Like other municipalities across Wisconsin, the City of Milwaukee has benefitted from current state law where one year's increment on closing Tax Incremental Districts can be used for activities that both benefit affordable housing and activities that improve a municipality's housing stock. We are appreciative of the Author's consent to amend the bill allowing these continued uses and see the bill's ability to utilize up to three year's increment as a means of furthering current vital funding to improve access to much needed affordable housing.

One housing issue the City faces is that it has acquired a substantial amount of in rem foreclosed properties. Our present inventory is around 1,000 residential properties. It is not in the City's interest to hold these parcels and we undertake a vigorous effort to try to sell as many of acquired properties to get them back onto the tax rolls. However, there are often major condition problems which must be immediately addressed when acquiring severely challenged housing stock—particularly issues like the exposure of homes to outside elements, immediate safety risks, and other issues which impact the future salability of properties. Because of the City's desire to minimize home razing, maintain its tax base, and increase owner occupancy, it is extremely helpful to be able to offer resources to assist buyers in repairing a faulty roof, replace a furnace, and make other improvements to make a house habitable at the time of purchase. These properties provide affordable ownership or renting opportunities for many of our residents.

In addition to this aforementioned use, the City looks forward to expanding financial opportunities through our Housing Trust fund which leverages private development to bring quality new or refurbished affordable housing units onto the market. In just over a decade, the City's Housing Trust Fund has provided over \$3 million in grants and loans, leveraging more than \$62 million in additional funding sources and generated nearly 500 housing units that would not have been produced without this vital funding source.

Lastly, the City is grateful to the sponsor's willingness to designate at least 50% of expanded workforce housing revenues toward families that meet the traditional definition of 60% of the median county household income.

The need for expanded workforce and affordable housing is felt across Wisconsin. This bill will help make a real dent in addressing that need. We are thankful for the leadership of the sponsors and recommend the committee's approval.

Thank you for allowing our testimony here today. I am happy to answer any questions the committee may have.



Testimony on *Assembly Bill 859* before the
ASSEMBLY COMMITTEE ON HOUSING AND REAL ESTATE
February 6, 2020

Wisconsin Economic Development Association

Good morning Chairman Macco and members of the committee. My name is Bob Dennik, and I currently serve as vice president of VJS Construction Services out of Pewaukee. I am also the incoming president of the Wisconsin Economic Development Association. Thank you for the opportunity to testify today in favor of Assembly Bill 859. This important legislation will help encourage local units of government to develop much-needed workforce housing.

By way of background, WEDA is a statewide association representing over 425 public and private sector economic development professionals. We are dedicated to advancing economic prosperity in Wisconsin and providing our members with the necessary tools to encourage business expansion and promote private investment.

As you know, one of the largest obstacles to continued economic growth in Wisconsin is the state's workforce shortage. It remains the largest challenge facing Wisconsin employers. Between an aging population, a declining birthrate, record low unemployment, and difficulty attracting new residents, the state does not have enough workers to fill the current demand of Wisconsin businesses.

Another key contributing factor to our labor shortage is the lack of available workforce housing in communities across the state. As you might imagine, it is increasingly difficult for businesses to attract workers if their employees cannot find an affordable place to live.

Assembly Bill 859 would help address Wisconsin's growing housing problem through several provisions to advance workforce housing development at the local level, including:

- **Increasing the amount of residential development permitted in a "mixed-use" Tax Incremental Financing (TIF) district to 60% of the district. Current law limits residential use to 35% of a mixed-use TIF.**
- **Expanding from one year to three years the length of time a community may extend the life of a TIF district for the purpose of increasing the amount of workforce housing in the community.**
- **Allowing communities to exempt workforce housing development from local impact fees.**
- **Incentivizing local communities to implement policies that encourage additional workforce housing development.**



This legislation, while not a silver bullet, could play a significant role in addressing Wisconsin’s workforce housing shortage and provide local communities with the necessary tools to spur new housing development – and without placing any burden on state taxpayers.

In closing, WEDA would again encourage you to support Assembly Bill 859.

Thank you for your consideration. I would be happy to take any questions.



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To: Assembly Committee on Housing and Real Estate

From: Curt Witynski, J.D., Deputy Director, League of Wisconsin Municipalities

Date: February 6, 2020

Re: AB 859, Using TIF to Increase Workforce Housing in a Community

The League of Wisconsin Municipalities supports AB 859, unleashing the power of tax incremental financing (TIF) to help increase work force housing in a community. The League appreciates the opportunity to work with Rep. Brooks and the other proponents of this bill to help draft this legislation.

The bill makes two key changes to TIF law to benefit workforce housing initiatives:

1. It increases from one year to three years the amount of time a city or village may extend the life of a tax incremental district to improve its affordable and workforce housing. This has been a somewhat underutilized option in the TIF law. Making the option available for three years will increase its effectiveness and as a result more communities will use it to help fund workforce housing initiatives.
2. Increasing the percentage of newly platted residential areas devoted to workforce housing allowable in a mixed-use development TID. Under the bill, newly platted residential areas may exceed the current 35 percent limit of the real property within the TID if the newly platted residential use that exceeds 35 percent is used solely for workforce housing. The bill establishes a 60% cap on the total amount of platted residential area that is real property within a mixed-use TID.

We urge you to recommend passage of AB 859. Thanks for considering our comments.



To: Members, Assembly Committee on Housing and Real Estate
From: Tom Larson, WRA Senior Vice President of Legal and Public Affairs
Date: February 6, 2020
Re: AB 859 – Workforce Housing

The Wisconsin REALTORS® Association (WRA) supports AB 859, legislation seeking to promote workforce housing by providing local governments with (a) incentives to reform local development regulations to lower housing costs, and (b) greater flexibility to use tax increment financing (TIF) for the purposes of providing additional workforce housing.

Background

Wisconsin employers are having difficulty recruiting workers to fill thousands of job openings due to a shortage of affordable housing options for workers. With statewide housing inventory levels at historic lows, median home prices continuing to rise, and apartment rent increases outpacing wage growth, Wisconsin has a major workforce housing shortage problem. Unless this workforce housing problem is fixed, Wisconsin will be unable to keep and attract the skilled workers necessary for our economy to thrive.

In a recent report titled “Falling Behind: Addressing Wisconsin’s Workforce Housing Shortage,” authored by Professor Kurt Paulsen, UW-Madison, several causes of Wisconsin’s workforce housing shortage were identified, including (1) outdated local development regulations, and (2) rising construction costs.

AB 859 attempts to increase the supply of workforce housing in Wisconsin by addressing both causes in the following manner:

Incentives to update local development regulations – To reduce the costs of housing caused by local regulations, AB 859 provides incentives for municipalities to update local zoning regulations, streamline development approval processes, and engage in other activities to address the workforce housing needs of the community. Specifically, AB 859 gives priority to municipalities for state housing-related grants administered by DOA, WHEDA, and WEDC if the municipality completes at least 3 workforce housing initiatives identified in the bill that include reducing permit processing times by 10%, reducing development impact fees by 10%, and increasing development densities by at least 10%.

Greater flexibility to use tax increment financing (TIF) for workforce housing tax – To help reduce the development costs for workforce housing units, AB 859 allows municipalities to:

- Increase the percentage of residential housing allowed in a mixed-use tax increment district (TID) from 35% to 60% if the increase is used for the creation of workforce housing
- Extend the life of an existing TID up to 3 years to build more workforce housing to increase the number of affordable and workforce housing units in the community.

We respectfully request your support for AB 859. If you have questions or need additional information, please contact us.